

No. 9603—E. C. 66-18-4, dated 31st March 1919.

The following draft rules proposed to be issued under Section 44 of the Mysore Co-operative Societies Regulation, No. VII of 1918, are hereby published for the general information. All suggestions for additions, alterations or omissions by persons or bodies likely to be affected by these rules may be forwarded so as to reach the Secretary to Government, Departments of Education and Agriculture within two months from the date of their first publication after which they will be taken into consideration by Government.

1. i. These rules may be called the Mysore Co-operative Societies Rules, 1918.
 ii. The word "Regulation" shall mean the Mysore Co-operative Societies Regulation No. VII of 1918.
 iii. Words and expressions used in these Rules shall bear the meanings respectively assigned to them in the Regulation.
2. i. Every application for the registration of a society under Section 8, sub-section (1) of the Regulation shall contain the particulars specified in and be in the form of Schedule A.
 ii. With every such application shall be submitted two copies of the bye-laws proposed for the society.
3. As soon as possible after the receipt of such application, the Registrar shall intimate to the applicants that he has registered the society and its bye-laws under Section 9 of the Regulation or communicate his reasons for refusing to do so.
4. When the society is registered under Section 9 of the Regulation, the Registrar shall also register the address of the society and shall send to the society at the registered address—
 i. a certificate of registration,
 ii. a copy of the registered byelaws,
 iii. a copy of the Regulation and of the Rules made under the Regulation and of any general or special order of the Government or of the Registrar applicable to the society.
5. If the Registrar refuses to register a society, an appeal shall lie to the Government, within two months from the date of the communication by the Registrar of his refusal to register the society. The Government may direct the Registrar to register the society, when it shall be registered by him.
6. i. The matters in respect of which every society shall make bye-laws are the following, namely:—
 (a) The name and address of the society and the area of its operations;
 (b) The objects for which the society is established, the purposes for which the funds thereof are applicable, the terms of admission of members, the conditions under which members may withdraw from membership, the terms on which members may obtain loans, and the consequences of default in payment of any sum due by a member;
 (c) The mode of holding meetings, the procedure at such meetings, the intervals at which they must be held, the right of voting and, subject to the provisions of Rules 7 and 8 the manner of making, altering or abrogating byelaws;
 (d) The qualifications, and the rights and liabilities of membership;
 (e) The mode of appointment and removal of a Committee or of the members of a Committee and of officers (if any), and of the powers and duties of the Committee and the officers;
 (f) The manner in which capital may be raised by means of shares, or, debentures, or by borrowing from persons who are not members, or by deposits from members or otherwise;
 (g) The formation of a reserve fund, the objects to which reserve funds may be applied, and the investment or the utilization of such funds or of any other funds under the control of the society;
 (h) The disposal of the profits of the society; and
 (i) Subject to Rules 10 and 13 the mode of keeping the accounts of the society;
 ii. Every society may make byelaws in respect of any other matters incidental to the management of its business.
7. When a society has been registered, the bye-laws submitted under Rule 2, sub-rule (ii) shall, with the modifications approved by the Registrar, become the bye-laws of the society on their being adopted at a general meeting of the society by a majority of the members present provided however that the minimum attendance at such meeting shall be not less than two-fifths of the total number of the members on the Register of the society.

8. Bye-laws may be made altered or abrogated thereafter in accordance with a resolution passed at a general meeting of the society.

Provided that—

(a) due notice of any proposal to make, alter or abrogate is given in accordance with the bye-laws;

(b) the resolution is passed by not less than two-thirds of the members present at the general meeting; and

(c) the making, alteration or abrogation is approved by the Registrar.

9. Where the Registrar refuses approval to the making, alteration, or abrogation of any bye-laws, an appeal shall lie to Government, within one month of the date of such refusal, and the Government may direct the Registrar to withdraw his refusal.

10. i. Every credit society shall keep the following accounts and books, namely:—

(a) Register of members and of persons nominated under Rule 14;

(b) Register of shares or debentures (if capital is raised by shares or debentures);

(c) Cash account;

(d) Members' loan accounts;

(e) Depositors' accounts;

(f) Interest account;

(g) Expenses account; and

(h) Bank account.

ii. Societies other than credit societies shall keep such accounts and books as may be prescribed by the Registrar.

11. Every society shall also keep—

(a) a minute-book in which the proceedings of general meetings, and

(b) a minute-book in which the proceedings of meetings of the Committee, shall be recorded.

12. For the purposes of Section 26 of the Regulation, copies of entries in the books of any society may be certified by any officer of the society.

13. On or before the date to be fixed in the bye-laws, the Committee shall publish an annual balance sheet showing the assets and the liabilities of the society, a profit and loss account and a statement of receipts and expenditure. The balance sheet, the profit and loss account and the statement of Receipts and Expenditure shall be open to the inspection of any member during office hours at the office of the society, and copies thereof shall be submitted to the Registrar.

14. i. Every member of a society may nominate a person to whom or to whose credit the sum specified in Section 22 of the Regulation shall be paid or transferred on the death of such member.

ii. The name and address of every person so nominated shall be entered in the register kept under Rule 10 clause (1).

iii. The value of the share or interest of a deceased member referred to in Section 22 of the Regulation shall be ascertained by the Committee, who shall for this purpose estimate the respective amounts due from and to such member on the day of his death and deduct the former from the latter.

15. The Registrar shall keep a register of the names and addresses of all societies.

16. i. Any dispute in respect of the business of a society between any person who is or has been a member of the society or claims through any one who is or has been such a member and such society, or its Committee or any of its officers shall be submitted to the Registrar for decision.

ii. The Registrar on receiving notice of such a dispute shall at his discretion—

a. decide the dispute himself or

b. refer the parties to the Civil Courts, or

c. refer the dispute to arbitration.

iii. Except as provided for above, no suit shall be filed in any Civil Court in respect of any dispute of the kind referred to in Clause (i) of this Rule.

iv. When the Registrar refers a dispute to arbitration he may decide whether the arbitration shall be by one person or by more than one. If the arbitration is by one person, the arbitrator shall be appointed by the Registrar. If the arbitration is by more than one person, the Board of Arbitrators shall consist of three persons of whom one shall be appointed by the Registrar at the time of referring the dispute to arbitration, one by the society and one by the person or persons by or against whom the dispute is made. The nomination referred to above shall be made by the parties concerned within 15 days after notice by the Registrar, failing which the Registrar may himself make the nominations.

Where a dispute has been referred by the Registrar to a single arbitrator, he may for satisfactory reasons withdraw the dispute from arbitration and decide it himself or refer to another arbitrator or Board of Arbitrators. Where it has been referred to a Board of Arbitrators, he may withdraw it from such Board and refer it to a single arbitrator or to a Board of arbitrators or decide it himself.

vi. In proceedings under Clause (ii) above before the Registrar, arbitrator or board of arbitrators, the statements of the parties who attend and of such witnesses as they may produce shall be reduced to writing and upon the evidence so recorded, and after consideration of any documentary evidence that may be produced by either side, a decision or award as the case may be shall be given in accordance with justice, equity and good conscience.

vii. In disputes settled by a Board of Arbitrators, the award shall be in accordance with the decision of the majority of the members where it is not unanimous.

viii. The Registrar may, by order, modify or correct an award where the award is upon a matter not referred to arbitration or where the award is imperfect in form or contains any obvious error which can be corrected without affecting the decision of the arbitrators, or where the award contains a clerical mistake or an error arising from an accidental slip or omission.

ix. Where the decision or award involves the payment of money or delivery of grain and such payment is not made within one week or such further time as may be allowed by the Registrar, the Registrar shall send a copy of the decision or award to the Deputy Commissioner for its enforcement who shall thereupon enforce it as if it were a decree for arrears of land revenue. Where the decision or award involves the payment of money and the person or persons against whom the decision or award is made are employed in the permanent or temporary service of the Government of His Highness the Maharaja of Mysore, it shall be open to the Registrar to send the decision or award to the Head of the office or Department in which the person or persons are employed for enforcement.

x. The Registrar of the Arbitrator, or the Board of Arbitrators shall have power to administer oaths, to require the attendance of the parties to the dispute and of their witnesses and to require the production of all books and documents relating to the matter under dispute by a summons sent by registered post to the party's last known address.

xi. In proceedings before him, the Registrar may, of his own motion, and in proceedings before the arbitrators or the Board of Arbitrators, he may, at the instance of such arbitrator or Board, inquire into the causes of the absence of any person summoned in connection with such proceedings and, in the absence of satisfactory reasons, he may fine such person to the extent of Rs. 50 for disobedience of the summons. The fine shall be recoverable by the Deputy Commissioner as arrears of land revenue.

xii. Any party aggrieved by the award of an arbitrator or a Board of Arbitrators may appeal to the Registrar within one month of the date of such award. Failing such appeal the award shall be final and conclusive as between the parties to the dispute and shall not be liable to be called in question in any Civil or Revenue Court.

xiii. Every order made by the Registrar under this Rule shall be final and conclusive.

xiv. In proceedings under this Rule, no party to a dispute shall be represented by a legal practitioner appearing as such.

17. a. The reserve fund of a society shall be indivisible and no member shall be entitled to claim a specified share therein.

b. The reserve fund shall be invested in one or more of the modes specified in Section 32 of the Regulation.

c. With the previous sanction of the Registrar, the reserve fund of a society or a part thereof may be utilised as working capital of the society or it may be invested in the purchase or leasing of land or in the construction or acquisition of buildings, or in such other manner as may be necessary or desirable for the conduct of the society's business.

d. On the dissolution of a society, the reserve fund shall be applied to discharging such liabilities of the society as may remain undischarged after the enforcement in full of the liability of the members; to the repayment of the share capital paid up and, if for any period, no dividend has been paid out of profits; to the payment of a dividend for such period at a rate not exceeding 6 per cent per annum. Such portion of the reserve as may remain after

the payments mentioned above have been made shall be applied to such local objects of public utility as may be decided upon by the general body of members and approved by the Registrar. If within three months of the dissolution of a society, the general body of members fail to make any selection approved by the Registrar, the Registrar shall credit the funds to the reserve fund of any Co-operative Society with similar objects that may be working in the area of operations covered by the dissolved society.

18. A member of a Co-operative Society shall not receive in dividend and bonus for one year a sum exceeding 10 per cent on the share capital actually paid up by him without the sanction of the Registrar, nor shall penal interest be appropriated towards dividends except with the express approval of the Registrar.

19. Notwithstanding anything contained in these Rules or in the bye-laws of a society as to the mode of summoning a general meeting and the object, time and place of such meeting, the Registrar or any person authorised by the Registrar may summon at any time a special general meeting of the society in such manner and at such time and place as he may direct and he may specify what matters shall be discussed at the meeting such meeting shall have all the powers of an ordinary general meeting called according to these rules and to the bye-laws of the society.

20. Every society shall from time to time and whenever called upon furnish the Registrar with such information and with such returns as he may require.

21. Every society shall be liable to pay such audit fee as the Registrar may prescribe.

22. The total amount of loans issued by any Co-operative Society in the State and outstanding against the members of its managing Committee in the aggregate shall not at any time exceed 25 per cent of the total of all loans issued by the society and outstanding against its members at that time.

Provided that the Registrar may, for sufficient reasons and subject to such restrictions as may be considered necessary, exempt any particular society or class of societies from the operation of this Rule.

23. The following procedure shall be adopted by a liquidator appointed under Section 42 of the Regulation:—

- (a) The liquidator shall take into his custody or under his control all the books, registers, and accounts belonging to the society and all the property, effects, and actionable claims to which the society is entitled.
- (b) The liquidator shall ascertain what the dues and other assets of the society and its debts and liabilities are, and shall investigate all claims against the society. The liquidator may publish in such manner as he thinks proper a notice requiring all claims against the dissolved society to be submitted to him within two months from the date of publication thereof.
- (c) The liquidator shall decide questions of priority arising between claimants and shall draw up a scheme for the payment of their dues.
- (d) The liquidator shall recover all sums and other properties to which the society is entitled and may institute such suits for that purpose or such suits incidental to the liquidation proceedings as he may think proper.
- (e) The liquidator may empower any person to make collections and to grant valid receipts on his behalf.
- (f) If the assets of the society (including the amounts recovered by the liquidator) are not sufficient to cover the costs of liquidation and to pay off the liabilities of the society, the liquidator shall,
 - i. determine the contribution to be made by the members and past members, respectively, to the assets of the society and
 - ii. determine by what persons and in what proportion the costs of liquidation are to be borne.
- (g) The liquidator may apply to the Civil Court having local jurisdiction, for the enforcement of his orders in respect of the payment of contribution and the costs of liquidation. Every such application shall be made in the same manner and (so far as may be) shall contain such particulars as is provided in the case of applications for the execution of decrees under the code of Civil Procedure.
- (h) The liquidator may from time to time revise his orders determining the amounts of contribution and the costs of liquidation, and may apply to the Civil Court for the enforcement of such revised orders or for the modification of any application already made.
- (i) The liquidator may send to the Deputy Commissioner for service or execution all processes for the enforcement of the attendance of witnesses and of the production of documents.

Provide that all costs for serving or executing such processes shall be payable in Court fees in accordance with the scale fixed for, and in the same manner as is provided in the case of, processes issued by Revenue Courts under the Court-fees Regulation.

(j) The liquidator shall keep such books and accounts as may from time to time be prescribed by the Registrar, who may at any time cause such books and accounts to be audited.

(k) The liquidator shall deposit the funds and other assets of the dissolved society which are collected by him or which may come into his possession as liquidator, in such manner and in such place as may from time to time be determined by the Registrar.

(l) The liquidator shall once a month submit to the Registrar a report showing the progress made in winding up the affairs of the Society, and shall on completion of the liquidation proceedings submit a final report and make over to the Registrar all books, registers, and accounts belonging to the society and all books and accounts relating to such proceedings kept by him.

(m) The liquidator shall also submit such information and particulars with regard to the liquidation proceedings as may from time to time be required by the Registrar.

Any person aggrieved by an order of the liquidator passed under Section 42 may appeal to the Court of the District Judge having jurisdiction.

24. When any two or more registered societies desire to amalgamate and form one society under Section 43 clause (1) of the Regulation, the following procedure shall be observed:—

i. The societies concerned shall convene a general meeting of their members and pass a resolution in favour of such amalgamation specifying the conditions under which the amalgamation is to be effected, the arrangements made for the proper exercise of the rights and the discharge of the liabilities of the societies amalgamating and the terms on which such of the members as are opposed to the amalgamation can withdraw from their membership if they so desire. The resolution must also specify the name of the amalgamated society and whether the amalgamation is with or without dissolution or division of funds of such societies or of any of them.

ii. An application, supported by a copy of the resolution referred to in sub-rule i above shall next be made to the Registrar by each of the societies concerned for approval. The Registrar may, if he deems fit, approve of such resolution and register the amalgamation provided—

(a) that the general meeting of each society has been held in accordance with all the formalities prescribed in the bye-laws or other rules of the society, the Rules and the Regulation; and

(b) that the resolution is passed by such majority, if any, as may be prescribed by the Regulation; the rules thereunder or the bye-laws and other rules of the society.

25. Where a registered society desired to transfer all its engagements to another registered society under Section 43 clause (2) of the Regulation, the following procedure shall be observed:—

i. The society desiring to transfer its engagements to another society shall pass a resolution in favour of such transfer at a general meeting of its members specifying the conditions under which its engagements are transferred, the arrangements made for the proper exercise of its rights and the discharge of its liabilities and the terms on which such of the members as are opposed to the transfer may withdraw from their membership if they so desire. The resolution shall also specify the name of the society to which the engagements are transferred and whether the transfer is with or without dissolution or division of funds of the society the engagements of which are transferred.

ii. The society to which the engagements of another society are transferred may pass a resolution at a general meeting of the members in favour of such transfer specifically accepting the terms of the transfer mentioned in sub-rule i above.

iii. Where the transfer of the engagements proposed by one registered society is accepted by another society in the manner stated in clauses (i) and (ii) of this rule an application by each of the societies which are parties to the transfer must next be made to the Registrar supported by copies of the resolutions referred to in sub-rules i and ii. The Registrar may if he deems fit approve of the resolutions and register the transfer provided—

(a) that the general meeting of each society has been held in accordance with all the formalities prescribed in the bye-law or other rules of the society, the Regulation or the Rules thereunder; and

(b) that the resolution is passed by such majority if any as may be prescribed by the Regulation, the Rules thereunder or the bye-laws and other Rules of the Society.

26. (1) Loans from State Funds not exceeding Rs. 2,000 in any case may be made to any Co-operative Society.

(2) The amount advanced to any society shall not exceed five times the paid-up share capital of the society at the time of the issue of the loan, and twice the paid-up share capital two years thereafter.

(3) All advances to a society may be free of interest for the first two years and will afterwards, subject to sub-rule 14 below, bear interest at 5 per cent per annum.

(4) The advances shall be repayable in not more than three annual instalments, commencing after the lapse of two years after the grant of the advance. But the Registrar may at his discretion prescribe a shorter period for repayment according to the circumstances of each case.

(5) A society requiring an advance shall submit to the Registrar an application in the form contained in Schedule B, annexed to these Rules.

(6) The Registrar, after satisfying himself as to the correctness of the statement made in the application, may sanction the payment of advance from any treasury or sub-treasury, and may prescribe the number of instalments of repayment and the dates on which each instalment is to be repaid.

Provided that, without the special sanction of the Government no advance sanctioned by the Registrar shall exceed Rs. 1,000.

(7) If the Registrar sanctions an advance, his sanctions shall be conveyed in an order in the form contained in Schedule C, annexed to these Rules.

(8) The Registrar shall send the original order to the society and a duplicate copy to the Comptroller for issue of order of payment to the treasury concerned.

(9) Payment of any advance so sanctioned shall be made to the persons authorised to receive the advance on behalf of the society, on their producing the Registrar's order at the treasury named therein, and executing an agreement in duplicate in the form contained in Schedule D, annexed to these Rules.

(10) When payment of an advance has been made, the original agreement shall be sent to the District Treasury for safe custody and the copy forwarded to the Registrar.

(11) The Registrar may, if sufficient cause is shown and if all interest due has been paid, suspend the repayment of any instalment.

(12) Whenever the Registrar makes an order of suspension, he shall forthwith send a copy thereof to the Deputy Commissioner of the District and to the Comptroller.

(13) When an order of suspension is made in respect of any instalment the repayment of that instalment and of all subsequent instalments shall be postponed for one instalment period.

(14) If any instalment due from any society is not fully repaid on the due date, interest at 6 per cent per annum to the date of repayment shall be recoverable on the amount overdue, unless the Registrar by special order exempts the society from this liability. Such orders are to be formally reported for the approval of the Government.

(15) The Deputy Commissioner to whom instalments are repayable shall give prompt notice to the Registrar of default in repayment of any instalment.

(16) If at the end of two years after the loan is issued, the society has not raised a paid-up share capital of half the amount of the loan, so much of the loan as exceeds twice the paid-up share capital of the society shall be repaid to the Government immediately thereafter, irrespective of other conditions.

By Order,

P. G. D'SOUZA,

Secretary to Government,

Departments of Education and Agriculture.